

Message Text

CONFIDENTIAL

PAGE 01 QUITO 05484 022159Z

63

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 DOTE-00

FMC-01 SAL-01 CG-00 DLOS-06 OES-06 /103 W

----- 105918

R 022121Z AUG 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 1045

INFO AMCONSUL GUAYAQUIL

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY PANAMA

AMEMBASSY SANTIAGO

C O N F I D E N T I A L QUITO 5484

E.O. 11652: GDS

TAGS: EWWT, EC

SUBJECT: GOE OFFICIAL SAYS ECUADOR, BOLIVIA, CHILE AND PERU WILL
JOINTLY PROTEST PROPOSED INCREASE IN PANAMA CANAL TOLLS

1. DURING A CALL ON THE GOE FOREIGN MINISTRY'S DIRECTOR
GENERAL OF ECONOMIC AFFAIRS, ROQUE CANADAS, BY THE DEPARTMENT'S
VISITING DESK OFFICER FOR ECUADOR ACCOMPANIED BY THE EMBASSY'S
ECONOMIC/COMMERCIAL COUNSELOR, CANADAS SAID THE GOE IS
EXTREMELY CONCERNED ABOUT ACTION BEING TAKEN TO RAISE PANAMA
CANAL TOLLS. CANADAS STRESSED THAT ECUADOR PERHAPS MORE THAN
ANY OTHER COUNTRY IN THE WORLD IS DEPENDENT UPON THE CANAL
FOR A VITAL PORTION OF ITS EXPORT AND IMPORT TRADE. THE
PROSPECTIVE INCREASE, HE SAID, WOULD MAKE SOME KEY ECUADOREAN
EXPORTS UNCOMPETITIVE IN THEIR MAJOR MARKETS, AND WOULD
SIGNIFICANTLY AFFECT PRICES OF SOME KEY IMPORTS AS WELL.

CONFIDENTIAL

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PAGE 02 QUITO 05484 022159Z

2. CANADAS SAID THAT GOE OFFICIALS HAVE BEEN DISCUSSING

THIS MATTER IN RECENT WEEKS WITH OFFICIALS OF BOLIVIA, CHILE AND PERU, AND ALL HAVE AGREED TO MAKE A JOINT PROTEST AGAINST INCREASING THE TOLLS. HE DID NOT SPECIFY WHERE OR HOW THE PROTEST WOULD BE DELIVERED, BUT HE MENTIONED THAT THESE COUNTRIES WILL CALL FOR A MEETING OF CECON (THE OAS SPECIAL COMMITTEE FOR CONSULTATION AND NEGOTIATION) TO DISCUSS THE MATTER.

3. CANADAS SAID THAT THESE COUNTRIES UNDERSTAND AND ACCEPT THE PRINCIPLE THAT TOLL REVENUES SHOULD COVER THE COSTS OF OPERATING AND MAINTAINING THE CANAL. HOWEVER, HE CONTINUED, THE GOE HAS CARRIED OUT A STUDY WHICH SHOWS THAT A GOODLY PORTION OF THE COSTS NOW COVERED BY CANAL TOLLS ARE NOT BONA FIDE OPERATIONAL OR MAINTENANCE COSTS. CANAL TOLL REVENUES ARE BEING USED TO FINANCE CERTAIN DEVELOPMENTAL PROJECTS IN PANAMA (HE CITED THE CONTRUCTION OF A CERTAIN BRIDGE AS AN EXAMPLE), AND THUS THE USERS OF THE CANAL ARE IN EFFECT PROVIDING FUNDS FOR DEVELOPMENTAL ASSISTANCE TO PANAMA, HE ASSERTED. HE ADDED THAT THE GOE'S STUDY INDICATES THAT IF THE EXPENDITURES OUT OF CANAL TOLLS WERE CONFINED STRICTLY TO THOSE REQUIRED FOR OPERATION AND MAINTENANCE OF THE CANAL, THERE COULD ACTUALLY BE A DECREASE FROM CURRENT TOLL LEVELS.

4. CANADAS ALSO ASSERTED THAT ECUADOR IS AFFECTED "UNFAIRLY" BY INCREASES IN PANAMA CANAL TOLLS BECAUSE IT HAS NO ALTERNATIVE TO USE OF THE CANAL FOR MOST OF ITS TRADE, WHEREAS MOST OTHER COUNTRIES HAVE ALTERNATIVES THAT ARE NOT VERY MUCH MORE COSTLY. DESK OFFICER AND E/C COUNSELOR RESPONDED THAT IT SEEMS ONLY FAIR THAT CANAL COSTS SHOULD BE PAID BY THOSE WHO USE IT, AND THAT THOSE WHO USE AND BENEFIT FROM IT MOST SHOULD EXPECT TO PAY FOR IT MOST. CANADAS CONTINUED TO INSIST, HOWEVER, THAT ECUADOR'S RELIANCE ON THE CANAL PUTS IT IN AN "UNFAIR" POSITION AS COMPARED WITH OTHER USERS.

5. E/C COUNSELOR ASKED CANADAS WHETHER GOE WOULD LIKE TO SEE CANAL UNDER EFFECTIVE CONTROL OF PANAMA RATHER THAN U.S. CANADAS REPLIED WITH A FLAT NO, AND ADDED THAT FOR ECUADOR THE MOST IMPORTANT CONSIDERATION IS THAT THE CANAL BE RUN AT MAXIMUM EFFICIENCY. HE COMMENTED THAT GOE IS WELL AWARE USG HAS NEVER VIEWED OR USED THE CANAL AS A PROFIT-MAKER, WHILE THE GOP WOULD CERTAINLY SEEK TO DO SO IF IT WERE IN CONFIDENTIAL

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PAGE 03 QUITO 05484 022159Z

CONTROL OF THE CANAL.
BLOOMFIELD

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